

112592

Beginning in the mid-1970's, Parent Company entered into various franchise and license agreements with independent restaurant operators utilizing certain aspects of the Franchisor Restaurant system. Some of these restaurants identified their restaurants under the "REX" name; others operated under a different name but displayed the "REX" name; and others did not identify the chicken products under the "REX" name at all. Parent Company has ceased entering into such franchise or license agreements, and at the present time only one such agreement is still in effect.

Parent Company does not intend to enter into additional franchise or license agreements utilizing the Trademarks licensed to franchisees by Franchisor. However, Parent Company, either itself or through other affiliates, may market and sell boneless, bitesize chicken to restaurants, grocery stores and other retailers under the "McFarland Farms" trademark or other brands.

C. FRANCHISE AND DEVELOPMENT RIGHTS OFFERED

Through the expenditure of time, skill, effort and money, and through the experiences of the Franchisor and Parent Company, the Franchisor and Parent Company have developed a certain unique, comprehensive and distinctive system and method for establishing and operating restaurants specializing in the preparation and sale of marinated boneless chicken and other food and beverage products (the "System"). In the establishment and operation of Restaurants, franchisees must use plans and procedures prepared by the Franchisor for distinctive exterior and interior design, decor, color schemes and furnishings and will receive assistance from the Franchisor in selecting high quality locations for Restaurants and will be furnished unique recipes and special menu items and procedures for preparing and serving the food products in Restaurants. Franchisees will also receive training and assistance in all facets of the operation of Restaurants and will participate in advertising and promotional programs for publicizing Restaurants and the products and items being marketed thereat. Maintenance and quality control as to the products and items being offered in Restaurants will also be provided by the Franchisor.

Two types of franchises are being offered by the Franchisor. In addition to the offering by Franchisor of the right to establish a single unit Restaurant, the Franchisor is also offering to enter into Area Development Agreements with franchisees whereby a franchisee would be given the exclusive right, in a specified territory, to enter into Franchise Agreements for multiple Restaurants units pursuant to a development schedule made a part of such Area Development Agreement, such development schedule hereinafter referred to as the "Schedule". Area Development Agreements, as such, do not grant franchisees the right to open Restaurants and each franchise location must be the subject of an individual Franchise Agreement for that specific Restaurant. In the discussion of the topics herein, any differences in the rights and obligations of franchisees under a Franchise Agreement for a